

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Four)

Docket No. RM2015-12

PUBLIC REPRESENTATIVE COMMENTS ON
PROPOSED CHANGES IN ANALYTICAL
PRINCIPLES USED IN PERIODIC REPORTING
(PROPOSAL FOUR)

August 31, 2015

The Public Representative hereby provides comments in response to Commission Order No. 2601.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Petition requesting that the Commission initiate a rulemaking proceeding to consider a proposal to change the approved analytical methods used in the Postal Service's periodic reports to the Commission.² That proposal is identified as Proposal Four.

To clarify the Postal Service's Petition, the Chairman issued two information requests.³ The Postal Service responded to the information requests on August 10th and August 28th, 2015, respectively.⁴

¹ Order No. 2601, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Petition), July 20, 2015.

² Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), July 17, 2015 (Petition).

³ Chairman's Information Request No. 1, August 5, 2015 (CHIR No. 1); *and* Chairman's Information Request No. 2, August 27, 2015 (CHIR No. 2).

⁴ Response of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 1, August 10, 2015 (Response to CHIR No. 1); *and* Response of the United States Postal Service to Questions 1 of Chairman's Information Request No. 2, August 27, 2015 (Response to CHIR No. 2).

In Proposal Four, the Postal Service seeks to replace most international accounting data used to develop settlement costs for outbound international products with data from the System for International Revenue and Volume, Outbound—International Origin-Destination Information System (SIRVO-IODIS).⁵ Outbound settlement costs are included in the financial results for outbound products presented in the International Cost and Revenue Analysis (ICRA) report. For the reasons stated below, the Public Representative recommends that the Commission approve Proposal Four.

PROPOSAL FOUR

Currently, the Postal Service relies on SIRVO-IODIS data to develop settlement costs by outbound product for 46 individual countries. Petition at 1. To develop such costs for another 186 primarily smaller countries, which are aggregated into four regional country groups, the Postal Service relies on international accounting data provided by its International Accounting Branch (IAB) in St. Louis. The international accounting data consists of 20 quarterly datasets, which provide country-specific revenue, pieces, gross weight and net weight data for several outbound mail flows that correspond to various outbound products, including First-Class Mail International (FCMI), Priority Mail International (PMI), and Priority Mail Express International (PMEI).

⁵ Petition at 1. The SIRVO-IODIS is the name of the Postal Service data system that develops revenue, pieces and weight data for most outbound (U.S.-origin) international mail. Such international mailpiece data is obtained from several Postal Service systems, including accounting, operation dispatching, product tracking and statistical sampling systems. The first three systems provide census data for certain international mail products, such as International Surface Airlift (ISAL), International Priority Airmail (IPA), Global Direct and PMEI. Accounting system data is derived from postage statements for mail entered at Bulk Mail Entry Units. Point-of-Sale (POS) terminals serve as a product tracking data source for FCMI registered and PMI insured mailpieces. Express Mail Corporate Account and the Product Tracking System provide data on PMEI. The international postal operation dispatch system called Global Business System (GBS) Dispatch provides various census data, including weight data by country, origin International Service Center (ISC) and transportation mode for IPA and ISAL, as well as weight and piece data for products such as Airmail M-Mags dispatched in separate containers.

SIRVO-IODIS is also the name of the statistical sampling system is used to develop revenue, pieces, and weight estimates for outbound letterpost and parcels, *i.e.*, FCMI and PMI, respectively. SIRVO-IODIS samples outbound international mail to collect mail characteristic and volume flow information where census data is not available and to apportion census data by country.

For a number of years, the IAB was the only source for such country-specific mail flow data.

In Fiscal Year (FY) 2012, SIRVO-IODIS began producing country-specific mail flow data for the full list of countries. *Id.*; Response to CHIR No. 1, Question 2. Since that time, the SIRVO-IODIS country data has been used to develop the Revenue, Pieces and Weight (RPW) report. In FY 2013 and 2014, the SIRVO-IODIS country data were also included with the ICRA report, although the data were not used to develop outbound settlement cost. Petition at 1.

Pursuant to Proposal Four, the Postal Service would replace most of the international accounting data with mail flow data for the full list of countries from SIRVO-IODIS. Specifically, Proposal Four would eliminate 16 of the 20 quarterly datasets, while retaining four datasets pertaining to PMEI, which are not developed by SIRVO-IODIS. *Id.* at 2.

Implementation of this proposal would substitute the SIRVO-IODIS country data for international accounting data directly into four worksheets, RPW Gross Weight, RPW Net Weight, PW Revenue and RPW Volume, included in the Excel file, Inputs.xls, which is used to develop the ICRA report. *Id.* Implementation would also permit the elimination of two worksheets, Outbound KG and CP Outbound Air, in Inputs.xls. In addition, elimination of these two worksheets would require changes to links in the Excel file, Outbound Calcs.xls, another file used to develop the ICRA report.

The Postal Service maintains that the use of SIRVO-IODIS country data will streamline the processing of such data to develop outbound settlement costs used in the ICRA report, and minimize the potential for errors in analysis. *Id.* at 1; Response to CHIR No. 2, Question 1. In turn, the Postal Service will avoid the costs of generating and processing international accounting data for use in the ICRA report with little material effect on the financial results. Response to CHIR No. 1, Question 3.

The Postal Service filed (under seal) library reference USPS-RM2015-10/NP1, which compares the FY 2014 financial results presented in the unified version of the ICRA report filed in Docket No. RM2015-10 to those same unified financial results assuming implementation of the proposed change.⁶ The library reference includes the Excel file, Attachment1, which develops the comparisons.

Based upon that comparison, the Postal Service identifies 36 instances in which volume-variable cost for outbound products or services under the proposal change by more than \$0.01 and 1 percent from those costs under the unified version of the ICRA report. *Id.* at 3. Of these 36, the largest volume-variable cost changes affect the competitive products International Priority Airmail (IPA) and International Surface Airlift, which increase by \$125,000 and \$85,000, respectively. Outbound International Cards to Transition System Countries (at UPU rates), a service within the market dominant FCMI product, experiences a volume-variable cost increase of \$10,000.

The Postal Service explains that changes in volume-variable costs by outbound product arise because of changes to the weighted average settlement rates based upon the SIRVO-IODIS country data as compared to the international accounting data. *Id.* at 4. However, total volume-variable costs for all outbound products remain the same. *Id.*

COMMENTS

The Public Representative recommends Commission approval of Proposal Four. The use of the SIRVO-IODIS country data will permit development of settlement costs for all countries and outbound international products, other than PMEI, presented in the ICRA report. In addition, as the Postal Service observes, the use the SIRVO-IODIS country data will streamline the processing such data to develop outbound settlement cost and thereby reduce costs to the Postal Service.

⁶ See Docket No. RM2015-10 (Proposal Two), Library Reference USPS-RM2015-10/NP1, which is currently pending before the Commission.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

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